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World & nation

Thursday, July 22, 2004

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Report says Halliburton overcharged for gas

By Larry Margasak
Associated Press

WASHINGTON — Vice President Dick Cheney's former company, Halliburton, charged the government \$2.68 per gallon to import gasoline from Kuwait to Iraq while a U.S. government agency did the same job for \$1.57 a gallon, a congressional Democratic report said Wednesday.

Halliburton's oil deliveries cost taxpayers an extra \$166.5 million, when the company's per-gallon price is compared with the government agency's price, the report said.

The report by the House Government Reform Committee's Democratic staff was prepared for Reps. Henry Waxman of California and John Dingell of Michigan, two of the leading Democratic critics of the company Cheney led before running for vice president.

The presidential campaign of John Kerry also has made Halliburton's contracts in Iraq and elsewhere a campaign issue, saying the Bush administration has shown favoritism in giving the firm non-competitive contracts.

Cheney has repeatedly denied any current involvement in the company or the contracts it has received.

Halliburton spokeswoman Wendy Hall said in a written statement that the price comparisons are unfair.

She said KBR, the subsidiary that handled the oil deliveries, has repeatedly asked for copies of the successor contract given to the Pentagon's Defense Energy Support Center.

"If DESC would provide a copy we would be happy to review and make comment. Although we have not seen the contract, we believe the terms are significantly different and could impact the price. Beyond that, it would be imprudent to make conclusions without a thorough examination of both contracts," Hall wrote.

Halliburton, which provides services to the U.S. military in numerous countries, received the non-competitive oil delivery work from the U.S. Army Corps of Engineers in May 2003, and was replaced by the DESC last April.

Waxman and Dingell often have criticized Halliburton's fuel costs, but the latest study compares Halliburton's costs to those of its successor.

The report said the defense agency purchased its gasoline in Kuwait directly, and then hired a Kuwaiti company — Altanmia — to transport the fuel to Iraq.

Halliburton, in contrast, used Altanmia to deliver the fuel and also to act as a middleman to purchase the gasoline. This arrangement drove up the costs, the report said.

The report said that Halliburton charged the government more than DESC for all three components of the total price: fuel purchase, transportation and fees/markups.

"The total difference between Halliburton's price and the DESC's price is substantial on a per-gallon basis," the report said.

"Halliburton's total cost of \$2.68 per gallon to import gasoline from Kuwait was equal to the spot price plus \$1.86 per gallon.

"DESC's total cost of \$1.57 per gallon ... is equal to the spot price plus 59 cents per gallon."

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